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INTELLIGENCE BRIEF

ECONOMIC BENEFITS OF NEW SOVIET SHIPPING SERVICES
BETWEEN IRAN AND EUROPE

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ECONOMIC BENEFITS OF NEW SOVIET SHIPPING SERVICES
BETWEEN IRAN AND EUROPE

In March 1965 the Soviet Ministry of the Maritime Fleet announced the assignment of four shallow-draft dry cargo vessels of the Caspian Steamship Company to a shipping line connecting Iranian ports on the Caspian Sea with European ports on the Baltic and North Seas. 1/ Shortly thereafter it was announced that three additional vessels of the same steamship company would participate in experimental voyages between the Iranian ports on the Caspian and Soviet ports on the lower Danube River. 2/ These voyages will be made to determine the feasibility of scheduled liner operation between the Caspian and ports as far up the Danube as Bratislava in Czechoslovakia. Both the Caspian-Baltic line and the proposed Caspian-Danube line would utilize the inland waterways of the USSR rather than the longer sea route via the Persian Gulf and the Suez Canal (see the map).

It appears likely that the rates charged on the new lines will be the lowest available for general cargoes moving between Iran and Europe. In many cases, freight rates for Iranian trade with Europe that transits the USSR in through-rail and mixed water-rail movement are lower than rates for shipping to the same destinations by sea out of the Persian Gulf because of discounts allowed under the Soviet-Iranian transit agreement of November 1963. 3/ The rates resulting from the application of such discounts to the already low rates for mixed river-sea shipment through the USSR should be lower than rates for transit cargoes moving by rail or mixed water-rail shipments.

Although freight on the new lines will not move as fast as that moving between Iran and Europe by rail, highway, or mixed rail-water shipment via Baku, it will move faster than freight moving between Iran and Europe by sea via the Persian Gulf. The time saving will be particularly great on the Caspian-Baltic line.

1. Caspian-Baltic Line

The Caspian-Baltic line will connect the Iranian ports of Pahlevi and Naushahr on the Caspian Sea with Baltic and North Sea ports in Poland, East Germany, Denmark, and the Netherlands, using the Volga River and Volga-Baltic waterway. * 5/ The four vessels assigned to the line are 4,500-DWT cotton-timber carriers with carrying capacities of

* Some Soviet sources have indicated that calls at ports in West Germany, Norway, and Sweden also will be included. 4/

4,300 tons designed for mixed river and sea service. The 12-foot draft limitation of the Volga system, however, will restrict cargo loadings to 3,200 tons. Because cargoes carried by liner services usually are low-density general cargoes, this tonnage limitation should not result in any serious limitation on operational economy. The use of vessels designed for mixed service will permit very considerable operational savings by reducing cargo-handling and storage charges associated with transshipping operations.

Although the service will be available for only 7 or 8 months a year because of the freezing of rivers in the USSR, it appears likely that the Caspian-Baltic line will attract a significant portion of the Iranian foreign trade cargoes currently carried either by the Soviet railroads or by non-Soviet cargo liners operating on the sea route between Iranian ports on the Persian Gulf and northern Europe. For many cargoes the rates will be lower than by any alternative means of transport, and service would be 10 days faster than the equivalent movement by sea.

An analysis of recent Iranian trade (excluding petroleum) with the countries of Europe that the Caspian-Baltic line would serve indicates that a major portion of the cargoes involves Iran's trade with West Germany and Poland. The physical volume of the trade with West Germany was more than 200,000 tons in 1964; that with Poland was close to 60,000 tons.

2. Caspian-Danube Line

The Caspian-Danube service also will originate from the Iranian ports of Naushahr and Pahlevi on the Caspian but will connect with the Danube by way of the Volga River, the Volga-Don Canal, the Don River, the Sea of Azov, and the Black Sea. Initially, the northern termini will be the Soviet Danube ports of Izmail and Reni, which accommodate medium-sized sea-going vessels and are important transshipment points for transfer of cargoes between river and sea-going vessels. The 1,200-DWT vessels intended for service on this line are designed for mixed sea and river service and will be able to utilize their full 1,000-ton capacities on the route between the Caspian and the lower Danube. If the trial runs show promise, regular service will be established and extended up the Danube to Hungary and Czechoslovakia. Normal depths of the Danube channel would permit the Soviet vessels to carry loads of close to 700 tons as far upstream as Bratislava, the major Czechoslovak port.

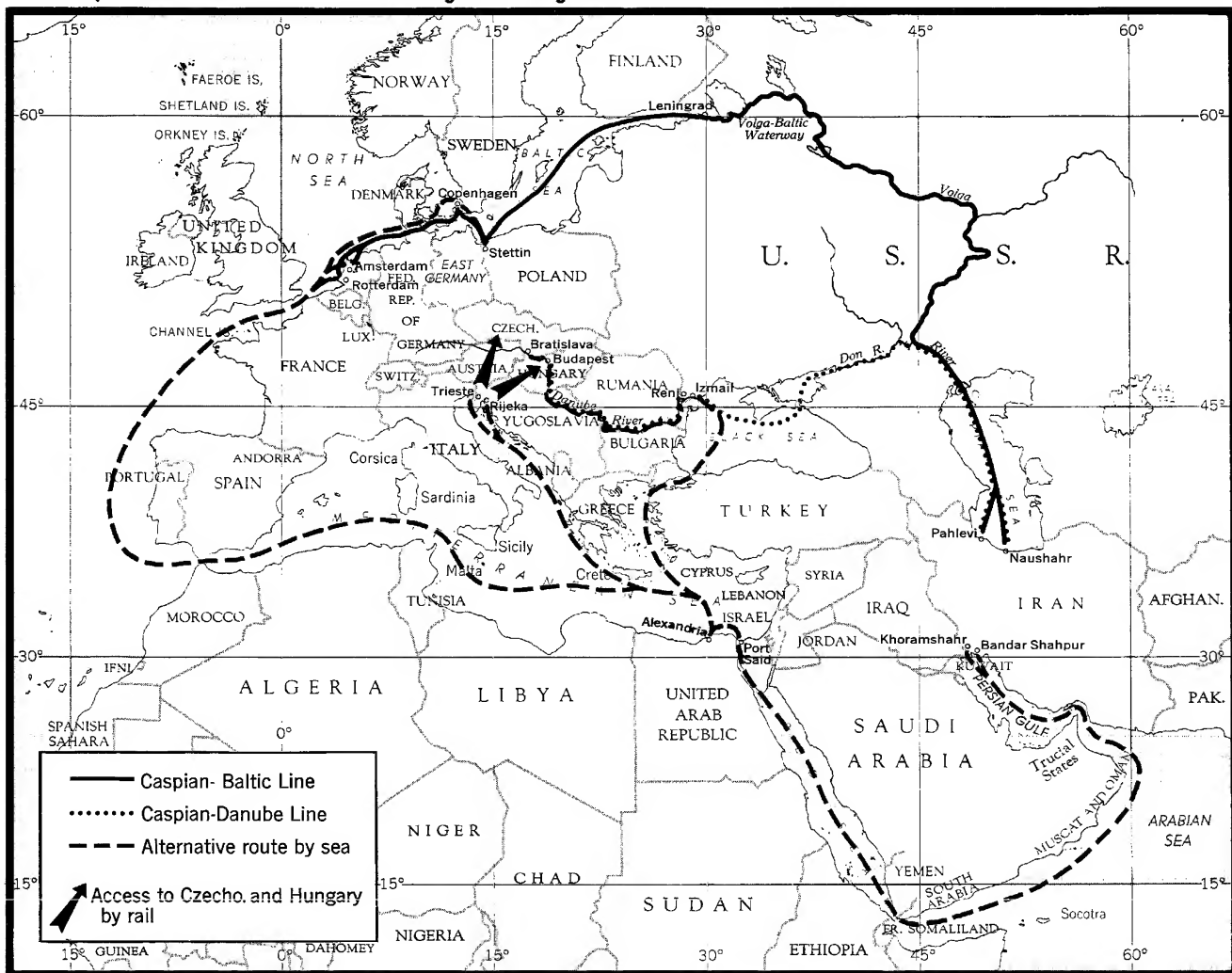
The trade potential of the proposed line to ports on the Danube appears to be somewhat less than of the line to the Baltic area, but it should be sufficient to provide work for a number of small vessels of the type that are making the trial runs. Hungary and Czechoslovakia each exchanged more than 60,000 tons of goods with Iran in 1964. West Germany has ports on the Danube, but water depths on that portion of the river are so low that the USSR would be unlikely to send its mixed-service vessels that far. Shipping charges and time en route for cargoes moving between Iran and destinations in Hungary and Czechoslovakia on the proposed line should be lower than for shipments moving out of the Persian Gulf by sea. Most of the cargoes moving by sea have to be transshipped in Egyptian ports en route. This operation is time-consuming and widens the gap between freight rates by sea and rates for cargoes moving on the proposed line, which are subject to discounts under the transit agreement.

3. Resultant Mutual Benefits

Iran will benefit from the lower freight rates that both services will offer. The prices of Iran's exports in the markets of northern and eastern Europe will become more competitive, and the cost of Iran's imports from these areas will decrease. General cargoes that formerly moved between Iran and northern Europe by sea will reach their destinations 10 days sooner. The chances of injury to cargoes subject to damage from the high temperature and high humidity encountered on the voyage around the Arabian Peninsula and through the Red Sea will be diminished significantly.

Successful implementation of these new liner services will increase Soviet earnings of foreign exchange and will provide greater employment for Caspian dry cargo vessels. Although the level of dry cargo movements on the Caspian has remained virtually constant for many years, the capability of the Caspian fleet for the movement of these cargoes has increased as the result of large-scale deliveries of 4,500-DWT cotton-timber carriers. As recently as 1962, vessels of this class were lying idle in Caspian ports for want of cargoes. Since that time, deliveries of such vessels to the Caspian Steamship Company have been terminated, and efforts have been made to use some of the vessels previously delivered in carrying Soviet foreign trade cargoes between the Black Sea and foreign ports on the Red and Mediterranean Seas. Although the USSR is still expanding its high seas merchant fleet at a rapid rate, it appears that there is a surplus of vessels well suited for the limited trades to which the cotton-timber carriers and the 1,200-DWT mixed-service motorships to be used on the Caspian-Danube run are adapted.

Waterway Routes for Iranian Transit Cargoes through the USSR



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Sources:

1. Vodnyy transport, 11 Mar 65. U.
2. Ibid., 27 Mar 65. U.
3. State, Tehran. Airgram A-377, 9 Jan 64. OFF USE.
4. FBIS. Economic Item L-6895, 20 Sep 64. U.
5. Ibid., L-2706, 26 Mar 65. U.

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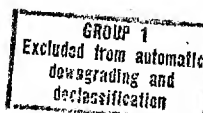
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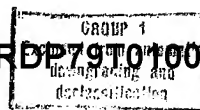
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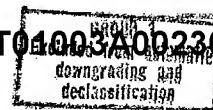
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